

Message Text

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ACTION STR-02

INFO OCT-01 SS-14 ISO-00 STRE-00 AGRE-00 EB-04 EUR-08
IO-06 INR-05 CIAE-00 OMB-01 TRSE-00 SP-02 L-01
/044 W

-----091027 021936Z /43

R 021755Z MAR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 5234
INFO USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 04128

LIMDIS

USEEC

DEPT PASS AGRICULTURE FOR SECRETARY BERGLAND AND
STR ELECTRONICALLY STR FOR AMBASSADORS STRAUSS AND WOLFF
GENEVA FOR MTN AMBASSADOR MCDONALD

E.O. 11652: GDS
TAGS: EEC, EAGR, GATT, ETRD
SUBJECT: CONVERSATION WITH SIR ROY DENMAN

REF: STATE 43370

1. I LUNCHEDED ALONE MARCH 2 WITH SIR ROY DENMAN. THE
ESSENCE OF OUR CONVERSATION FOLLOWS:
2. HAVING ASCERTAINED THAT NEITHER WOLFF NOR ANYONE ELSE
HAS RECENTLY TALKED TO DENMAN ABOUT DISC AND RELATED TAX
PRACTICES (REFTEL), I GAVE DENMAN MY VERSION OF ARGU-
MENTS IN REFTEL. HE SAID HE WAS UNINFORMED BUT TOOK THE
POINT AND WOULD DISCUSS THE SITUATION WITH LUYTEN AND
OTHERS.

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3. APART FROM THAT, WE TALKED MAINLY ABOUT AGRICULTURE
AND WHAT SHOULD COME FROM THE GUNDELACH VISIT TO WASH-
INGTON, WITH PASSING REFERENCE TO INDUSTRIAL SUBSIDIES
AND COUNTERVAILING. NEITHER DENMAN NOR I SAID ANYTHING
ABOUT SAFEGUARDS OR TARIFFS.

4. DENMAN SAID THEIR PERCEPTION WAS THAT WE WERE FILI-

BUSTERING ON DAIRY. I SAID OUR PERCEPTION WAS THAT WE WERE BEING INDUCED TO MAKE OFFERS WITHOUT ANY CLEAR SPECIFICATIONS FROM THE COMMUNITY AS TO WHAT THEY WANTED. I INSISTED IT WAS CRITICAL THAT GUNDELACH MAKE CLEAR IN WASHINGTON WHAT THE COMMUNITY REALLY NEEDED ON DAIRY. DENMAN SAID HE WOULD SO ADVISE GUNDELACH.

5. I SAID I ASSUMED HE AND GUNDELACH KNEW THAT WE NEEDED SUBSTANTIAL IMPROVEMENTS FOR ORANGES, ALMONDS, AND TOBACCO AND THAT IF THESE WERE NOT FORTHCOMING, THERE WOULD BE NO WAY TO GET CONGRESSIONAL APPROVAL OF THE PACKAGE. FOR EXAMPLE, I POINTED OUT THERE WAS ONLY ONE SUBJECT ON WHICH THE LARGEST SINGLE CONGRESSIONAL DELEGATION - CALIFORNIA - WAS AGREED AND THAT RELATED TO CITRUS AND ALMONDS, TO SAY NOTHING OF CANNED FRUITS AND DRIED PRUNES. DENMAN SAID MY ASSUMPTION WAS CORRECT.

6. CONCERNING GRAINS, I SAID I CONTINUED TO HEAR THAT THE COMMISSION WAS UNHAPPY WITH AMERICAN PERFORMANCE BUT NO ONE HAD AS YET EXPLAINED TO ME EXACTLY WHAT THE PROBLEM WAS. HE SAID HE UNDERSTOOD THE SAME AND HE THOUGHT THE PROBLEM WAS THAT WE WERE PERCEIVED AS BACKING AWAY FROM A FEED GRAIN AGREEMENT THAT THEY HAD THOUGHT WAS IMPLICIT IN THE BERGLAND-GUNDELACH UNDERSTANDING. I SAID (A) I THOUGHT WE HAD HONORED THE EXPLICIT TERMS OF THE BERGLAND-GUNDELACH AGREEMENT AND (B) IT WAS TRUE THAT CONFIDENTIAL

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BERGLAND, HATHAWAY AND COMPANY HAD ENCOUNTERED GREAT RESISTANCE IN THE AMERICAN AGRICULTURAL COMMUNITY TO THE IDEA OF A FEED GRAINS AGREEMENT. I PUT IT TO HIM THAT IF THE COMMUNITY WANTED A FEED GRAINS AGREEMENT, THEY COULD PROBABLY HAVE IT BUT THE PRICE WOULD UNDOUBTEDLY BE STRONG ACCESS COMMITMENTS. IT WAS, THEREFORE, FOR THE COMMISSION TO THINK CAREFULLY, IN MY VIEW, AS TO WHETHER OR NOT THEIR INSISTANCE ON INCLUSION OF FEED GRAINS IN A GRAINS AGREEMENT WOULD IN THE END BE COMPATIBLE WITH THE POLITICAL CONSTRAINTS IN EUROPE.

7. ON MINIMUM-MAXIMUM PRICES, WE AGREED THAT THIS ISSUE SHOULD BE CLARIFIED AND HOPEFULLY RESOLVED IN WASHINGTON. I SAID THAT IN MY JUDGMENT IT DEPENDED ON WHAT THE COMMUNITY REALLY WANTED. IF THEY WERE TO INSIST ON IRON-CLAD MINIMUM AND MAXIMUM PRICES, I THOUGHT WE WOULD NEVER CONCEDE. ON THE OTHER HAND, IF THERE WERE SOME PRACTICAL POINT TO STATE, SUCH AS A LIMIT ON RESTITUTIONS, I THOUGHT WE COULD FIND A MUTUALLY SATISFACTORY PRICE FORMULATION.

8. ON COUNTERVAILING SUBSIDIES, DENMAN INSISTED THAT THE

COMMUNITY HAD TO ACHIEVE ACCEPTANCE BY THE US OF A MATERIAL INJURY REQUIREMENT TO JUSTIFY COUNTERVAIL. HE SAID IT WOULD BE CRITICAL FOR BERGLAND AND STRAUSS TO SPECIFY WHAT WE HAD TO HAVE IN THE SUBSIDY FIELD TO MAKE THIS POLITICALLY ACCEPTABLE TO CONGRESS. HE THOUGHT ARTICLE XVI, IF IT WERE REALLY FOLLOWED, SHOULD BE ENOUGH AND I SAID THAT WAS RIDICULOUS SINCE THE COMMUNITY WAS PRESUMABLY ALREADY BOUND BY ARTICLE XVI. HE SAID THAT IN POINT OF FACT XVI WAS IGNORED IN PRACTICE BUT THAT HE COULD ENVISAGE GOING SOMEWHAT FURTHER WITH A DEFINITION OF

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/044 W

-----091047 021936Z /43

R 021755Z MAR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 5235
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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 04128
LIMDIS

EQUITABLE MARKET SHARES AND SOME POLICING ARRANGEMENTS. HE THOUGHT THE LAST ROUND OF MCDONALD-DENMAN TALKS HAD OPENED UP SOME POSSIBILITIES IN THE INDUSTRIAL SUBSIDIES AREA AND I DID NOT DISAGREE.

9. FINALLY, MAKING CLEAR THAT I WAS SPEAKING FOR MYSELF AND WITH NO AUTHORITY WHATSOEVER FROM WASHINGTON, I SUGGESTED TO HIM THAT A SUBSIDIES SOLUTION COULD BE STRENGTHENED BY THE ADDITION OF A FINANCIAL CONSTRAINT, I.E., THE TOTAL AMOUNT OF SUBSIDIES COULD BE BOUND AND HOPEFULLY AGREEMENT ALSO REACHED ON THE GRADUAL REDUCTION OF THE OVERALL EXPENDITURE CEILING. HE SAID THE IDEA WAS INTERESTING BUT INCOMPATIBLE WITH THE CAP AND THEREFORE PROBABLY NON-NEGOTIABLE. HINTON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 mar 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE04128
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780096-0269
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197803116/aaaadupn.tel
Line Count: 164
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 17ea3dba-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 78 STATE 43370
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3145913
Secure: OPEN
Status: NATIVE
Subject: CONVERSATION WITH SIR ROY DENMAN
TAGS: EAGR, ETRD, US, BE, EEC, GATT, (DENMAN, ROY)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/17ea3dba-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014